

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Webber Township	County Lake
Fiscal Year End June 30, 2006	Opinion Date December 20, 2006	Date Audit Report Submitted to State February 15, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Steven C. Arends		License Number 1101013211

WEBBER TOWNSHIP, LAKE COUNTY

BALDWIN, MICHIGAN

JUNE 30, 2006

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

JUNE 30, 2006

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WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

JUNE 30, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Webber Township
Lake County
Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Webber Township, Lake County, Baldwin, Michigan as of and for the year ended June 30, 2006, which collectively comprise Webber Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webber Township, Lake County, Baldwin, Michigan as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through x and budgetary comparison information on page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webber Township, Lake County, Baldwin Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Webber Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Webber Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Financial Highlights

Government-Wide

- The assets of the Township exceeded its liabilities at the close of this fiscal year by \$3,366,042 (shown as *Net Assets*). Of this amount, \$773,008 may be used to meet the Township's ongoing obligations to citizens and creditors.

Fund Level Financial Highlights

- As of June 30, 2006, the governmental funds of the Township reported combined ending fund balances of \$502,360. \$444,300 is available for spending at the Township's discretion.

Long-Term Debt

- The Township total debt decreased by a net amount of \$138,284 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds Proprietary funds account for services for which the Township charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Township.

- Enterprise funds are used to report business-like activities of the Township. These activities intend to recover the full cost of the services through the fee charged to the customers. The Township has one enterprise fund, which is the Water and Sewer Operations and Maintenance Fund.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$3,366,042 at June 30, 2006 meaning the Township's assets were greater than its liabilities by this amount.

Webber Township
Net Assets as of June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 511,625	\$ 274,266	\$ 785,891
Non Current Assets	259,830	2,499,469	2,759,299
Total Assets	<u>\$ 771,455</u>	<u>\$ 2,773,735</u>	<u>\$3,545,190</u>
Current Liabilities	\$ 33,555	\$ 3,612	\$ 37,167
Non Current Liabilities	141,975	0	141,975
Total Liabilities	<u>\$ 175,530</u>	<u>\$ 3,612</u>	<u>\$ 179,142</u>
Net Assets			
Invested in capital assets net of related debt	\$ 93,565	\$ 2,499,469	\$2,593,034
Restricted	58,060	0	58,060
Unrestricted	444,300	270,648	714,948
Total Net Assets	<u>\$ 595,925</u>	<u>\$ 2,770,117</u>	<u>\$3,366,042</u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$714,948 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Webber Township
Change in Net Assets
for the Fiscal Year Ended June 30,

	Governmental	Business-Type	Total
	Activities	Activities	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 1,000	\$ 44,184	\$ 45,184
Capital Grants	15,000	0	15,000
General Revenues			
Property Taxes	331,469	0	331,469
State Shared Revenues	89,480	0	89,480
Licenses and Permits	824	0	824
Unrestricted Investment Earnings	1,272	334	1,606
Other	17,698	0	17,698
Total Revenues	\$ 456,743	\$ 44,518	\$ 501,261
<u>Expenses</u>			
Legislative	\$ 44,710	\$ 0	\$ 44,710
General Government	106,304	0	106,304
Public Safety	98,594	0	98,594
Public Works	33,713	0	33,713
Community and Economic Development	36,791	0	36,791
Interest on Long-term Debt	31,939	0	31,939
Other Functions	41,287	0	41,287
Water and Sewer	0	143,843	143,843
Total Expenses	\$ 393,338	\$ 143,843	\$ 537,181
Changes in Net Assets Before Transfers	\$ 63,405	\$ (99,325)	\$ (35,920)
Transfers In (Out)	680	(680)	0
Increase (Decrease) in Net Assets	\$ 64,085	\$ (100,005)	\$ (35,920)
<u>Beginning Net Assets</u>	531,840	2,870,122	3,401,962
<u>Ending Net Assets</u>	\$ 595,925	\$ 2,770,117	\$ 3,366,042

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Governmental Activities

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$64,085 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Webber Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millage, this fiscal year. The Township levied 3.8574 mills for operating purposes and 1.9287 mills for fire protection.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$106,304. Public Safety represented the next largest expense at \$98,594. Depreciation expense added another \$52,131.

Business-Type Activities

These activities accounted for a decrease of \$100,005 in the Township's Net Assets.

The Business-Type activities of the Township include the Water Fund and Sewer Operations and Maintenance Fund, which provide water and sewer utility services to Township residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Webber Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Webber Township's governmental funds reported combined ending fund balances of \$502,360. Of this total amount \$444,300 constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund decreased its fund balance in this fiscal year by \$58,643 which brings the fund balance to \$444,300. All of the General Fund's fund balance is unreserved.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Fire Fund – The Fire Fund increased its fund balance by \$2,836 which brings the fund balance to \$58,060. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2005 tax roll. This resulted in \$98,026 in tax related revenues during the current fiscal year.

Proprietary Funds The Township's proprietary fund provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water and Sewer Operations and Maintenance Fund – The Water and Sewer Operations and Maintenance Fund ended this fiscal year with \$270,648 in unrestricted net assets. The total net assets of the fund decreased by \$100,005.

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for the governmental and business-type activities as of June 30, 2006 amounted to \$2,759,299 net of accumulated depreciation.

Capital assets summarized below include any land and buildings purchased that cost in excess of \$5,000 or \$1,000 for all other items, and have an expected useful life of over one year. A summary of capital asset categories is illustrated below:

Webber Township
Capital Assets as of June 30, 2006

	Governmental Activities	Business-Type Activities	Total Primary Government
Water and Sewer System	\$ 0	\$ 2,796,881	\$2,796,881
Machinery and Equipment	445,323	0	445,323
	445,323	2,796,881	3,242,204
Less Accumulated Depreciation	185,493	297,412	482,905
Net Capital Assets	\$ 259,830	\$ 2,499,469	\$2,759,299

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2006

Major capital asset events during the current fiscal year included the following:

- Purchased Fire Equipment at a cost of \$11,641 with a FEMA Grant.

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements.

Long-Term Debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$166,265. The entire balance of this debt is backed by the full faith and credit of the government.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback.

A fire millage was once again levied for the 2006 tax roll.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional information, contact Webber Township, Township Clerk, PO Box 939, Baldwin, Michigan 49304, or call us at (231) 745-3471.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash	\$ 484,934	\$ 269,878	\$ 754,812
Receivables			
Accounts	0	4,382	4,382
Intergovernmental Receivables	26,632	0	26,632
External Parties (Fiduciary Funds)	59	0	59
Total Current Assets	\$ 511,625	\$ 274,260	\$ 785,885
<u>Non Current Assets</u>			
Capital Assets	\$ 445,323	\$ 2,796,881	\$ 3,242,204
Less Accumulated Depreciation	(185,493)	(297,412)	(482,905)
Total Non Current Assets	\$ 259,830	\$ 2,499,469	\$ 2,759,299
TOTAL ASSETS	\$ 771,455	\$ 2,773,729	\$ 3,545,184
<u>LIABILITIES AND NET ASSETS</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 9,265	\$ 3,612	\$ 12,877
Current Portion of Non-Current Liabilities	24,290	0	24,290
Total Current Liabilities	\$ 33,555	\$ 3,612	\$ 37,167
<u>Noncurrent Liabilities</u>			
Note Payable (Net of Current Portion)	141,975	0	141,975
TOTAL LIABILITIES	\$ 175,530	\$ 3,612	\$ 179,142
<u>Net Assets</u>			
Invested in Capital Assets			
Net of Related Debt	\$ 93,565	\$ 2,499,469	\$ 2,593,034
Restricted for Public Safety	58,060	0	58,060
Unrestricted	444,300	270,648	714,948
Total Net Assets	\$ 595,925	\$ 2,770,117	\$ 3,366,042
TOTAL LIABILITIES AND NET ASSETS	\$ 771,455	\$ 2,773,729	\$ 3,545,184

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-type Activities	Total
<u>Primary Government</u>							
<u>Governmental Activities</u>							
Legislative	\$ 44,710	\$ 0	\$ 0	\$ 0	\$ (44,710)	\$ 0	\$ (44,710)
General Government	106,304	1,000	0	0	(105,304)	0	(105,304)
Public Safety	98,594	0	0	15,000	(83,594)	0	(83,594)
Public Works	33,713	0	0	0	(33,713)	0	(33,713)
Economic Development	36,791	0	0	0	(36,791)	0	(36,791)
Interest on Long-Term Debt	31,939	0	0	0	(31,939)	0	(31,939)
Other Functions	41,287	0	0	0	(41,287)	0	(41,287)
Total Governmental Activities	\$ 393,338	\$ 1,000	\$ 0	\$ 15,000	\$ (377,338)	\$ 0	\$ (377,338)
<u>Business-type Activities</u>							
Water & Sewer	143,843	44,184	0	0	0	(99,659)	(99,659)
Total	\$ 537,181	\$ 45,184	\$ 0	\$ 15,000	\$ (377,338)	\$ (99,659)	\$ (476,997)
<u>GENERAL REVENUES</u>							
Property Taxes					\$ 331,469	\$ 0	\$ 331,469
State Shared Revenue					89,480	0	89,480
License and Permits					824	0	824
Unrestricted Investment Earnings					1,272	334	1,606
Other					17,698	0	17,698
Transfers					680	(680)	0
Total General Revenues and Transfers					\$ 441,423	\$ (346)	\$ 441,077
Change in Net Assets					\$ 64,085	\$ (100,005)	\$ (35,920)
<u>NET ASSETS</u> - Beginning of Year					531,840	2,870,122	3,401,962
<u>NET ASSETS</u> - End of Year					\$ 595,925	\$ 2,770,117	\$ 3,366,042

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Fire Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 448,661	\$ 36,273	\$ 484,934
Intergovernmental Receivable	26,632	0	26,632
Due from Other Funds	59	21,787	21,846
	<hr/>		
TOTAL ASSETS	\$ 475,352	\$ 58,060	\$ 533,412
<hr/>			
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 9,265	\$ 0	\$ 9,265
Due to Other Funds	21,787	0	21,787
	<hr/>		
Total Liabilities	\$ 31,052	\$ 0	\$ 31,052
<hr/>			
<u>Fund Balance</u>			
Reserved for Fire Protection	\$ 0	\$ 58,060	58,060
Unreserved, Undesignated	444,300	0	444,300
	<hr/>		
Total Fund Balance	\$ 444,300	\$ 58,060	\$ 502,360
<hr/>			
TOTAL LIABILITIES AND FUND BALANCE	\$ 475,352	\$ 58,060	\$ 533,412
<hr/>			

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances	\$ 502,360
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the funds

The cost of the capital assets is	445,323	
Accumulated depreciation is	<u>(185,493)</u>	259,830

Long term liabilities are not due and payable in the current period and
are not reported in the funds

Note Payable	<u>(166,265)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 595,925</u></u>
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The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General Fund	Fire Fund	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 233,443	\$ 98,026	\$ 331,469
Licenses and Permits	824	0	824
State Grants	89,480	0	89,480
Federal Grants	0	15,000	15,000
Charges for Services	900	0	900
Interest and Rents	1,320	52	1,372
Other Revenue	17,065	633	17,698
Total Revenues	<u>\$ 343,032</u>	<u>\$ 113,711</u>	<u>\$ 456,743</u>
<u>Expenditures</u>			
Legislative	\$ 44,710	\$ 0	\$ 44,710
General Government	127,996	0	127,996
Public Safety	0	58,510	58,510
Public Works	33,713	0	33,713
Economic Development	31,446	5,345	36,791
Debt Service	0	170,223	170,223
Other Functions	41,287	0	41,287
Total Expenditures	<u>\$ 279,152</u>	<u>\$ 234,078</u>	<u>\$ 513,230</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 63,880</u>	<u>\$ (120,367)</u>	<u>\$ (56,487)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 680	\$ 123,203	\$ 123,883
Transfers Out	(123,203)	0	(123,203)
Total Other Financing Sources (Uses)	<u>\$ (122,523)</u>	<u>\$ 123,203</u>	<u>\$ 680</u>
Net Change in Fund Balance	<u>\$ (58,643)</u>	<u>\$ 2,836</u>	<u>\$ (55,807)</u>
<u>Fund Balance - Beginning of Year</u>	<u>502,943</u>	<u>55,224</u>	<u>558,167</u>
<u>Fund Balance - End of Year</u>	<u><u>\$ 444,300</u></u>	<u><u>\$ 58,060</u></u>	<u><u>\$ 502,360</u></u>

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds	\$ (55,807)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	33,739
Depreciation Expense	(52,131)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction in liabilities).	<u>138,284</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 64,085</u></u>
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The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND

JUNE 30, 2006

	<u>Water and Sewer</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash	\$ 269,878
Accounts Receivable	<u>4,382</u>
Total Current Assets	<u>\$ 274,260</u>
<u>Capital Assets</u>	
Water and Sewer System	\$ 2,796,881
Less Accumulated Depreciation	<u>(297,412)</u>
Net Capital Assets	<u>\$ 2,499,469</u>
TOTAL ASSETS	<u><u>\$ 2,773,729</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities</u>	
Accounts Payable	<u>\$ 3,612</u>
<u>Net Assets</u>	
Invested in Capital Assets	\$ 2,499,469
Unrestricted	<u>270,648</u>
Total Net Assets	<u>\$ 2,770,117</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,773,729</u></u>

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP
BALDWIN, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

JUNE 30, 2006

	<u>Water and Sewer</u>
<u>Operating Revenues</u>	
Charges for Services	<u>\$ 44,184</u>
<u>Operating Expenses</u>	
Fuel	\$ 170
Contracted Services	66,898
Professional Services	1,071
Telephone	1,569
Heat, Light and Power	4,681
Repairs	13,516
Depreciation	<u>55,938</u>
Total Operating Expenses	<u>\$ 143,843</u>
Operating Income (Loss)	<u>\$ (99,659)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Income	\$ 334
Transfers Out	<u>(680)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (346)</u>
Change in Net Assets	\$ (100,005)
<u>Net Assets - Beginning of Year</u>	<u>2,870,122</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 2,770,117</u></u>

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

JUNE 30, 2006

	<u>Water and Sewer</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 72,381
Payment to Suppliers	<u>(92,379)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (19,998)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Transfer to General Fund	<u>\$ (680)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Received	<u>\$ 334</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (20,344)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>290,222</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u><u>\$ 269,878</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u> Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (99,659)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	55,938
(Increase) Decrease in Current Assets	
Accounts Receivable	28,197
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>(4,474)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (19,998)</u></u>

The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2006

Assets

Cash	\$ 59
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Liabilities

Due to Other Funds	\$ 59
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The notes to the financial statements are an integral part of this statement.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Webber Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Webber Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

Webber Township reports the following major proprietary funds:

The *Water and Sewer Operations and Maintenance Fund* operates and maintains the water supply and sewer system for some township customers.

Additionally Webber Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township Board states the Webber Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

1. Commercial paper with a rating of not less than A1 from Moody's and P1 from Standard & Poor's.
2. Mutual funds which are limited to securities whose intention is to maintain a net asset value of \$1.00 per share. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
3. Savings Deposit Receipt which is paid at a stated rate.
4. Savings Account interest is paid in accordance with the policy of the financial institution.
5. Certificate of Deposit – CD – for a specified period for a specified rate.
6. U.S. Treasury Bills
7. U.S. Treasury Notes
8. U.S. Treasury Bonds
9. Investment Pools organized under the authority of the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, (MCL 124.501 to 124.512), the Surplus Funds Investment Pool Act, 1982 PA 367 (129.111 to 129.118) and the Local Government Investment Pool Act, 1985

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

PA 121, (MCL 129.141 to 129.150). Those pools managed by contractual agreement contained in the interlocal agreement, banks and the County Treasurer, respectively.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Webber Township totaled \$50,904,960, on which ad valorem taxes levied consisted of 3.8574 mills for Webber Township operating purposes, and 1.9287 mills for Webber Township fire protection. These levies raised approximately \$196,598 for operating purposes, and \$98,298 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for land and buildings and \$1,000 for personal property (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	15-30
Public domain infrastructure	50
Machinery and Equipment	5-15

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 25, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Community and Economic Development	\$ 30,350	\$ 31,446
Other Functions	25,000	41,287
Fire Fund		
Community and Economic Development	0	5,345
Debt Service	52,000	170,223

These overages were funded by greater than anticipated revenues and available fund balance.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Independent Lake Osceola State Bank in Baldwin, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$526,407 of the government's bank balance of \$763,922 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General		Fire		Water & Sewer Operations & Maintenance		Total
Receivables							
Intergovernmental	\$	26,632	\$	0	\$	0	\$ 26,632
Accounts		0		0		4,382	4,382
	\$	26,632	\$	0	\$	4,382	\$ 31,014

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, being depreciated				
Machinery and Equipment	\$ 411,584	\$ 33,739	\$ 0	\$ 445,323
Less accumulated depreciation for:				
Machinery and Equipment	133,362	52,131	0	185,493
Total capital assets, being depreciated, net	\$ 278,222	\$ (18,392)	\$ 0	\$ 259,830
Governmental activities capital assets, net	\$ 278,222	\$ (18,392)	\$ 0	\$ 259,830

Business-Type Activities

Capital assets, being depreciated				
Water and Sewer System	\$2,796,881	\$ 0	\$ 0	\$2,796,881
Less accumulated depreciation for:				
Improvements other than buildings	241,474	55,938	0	297,412
Business-type activities capital assets, net	\$2,555,407	\$ (55,938)	\$ 0	\$2,499,469

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 406
Public Safety	51,725
Total Depreciation Expense - Governmental Activities	\$ 52,131

Business-type activities:

Water and Sewer Operations and Maintenance	\$ 55,938
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Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2006.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 59	\$ 21,787
Special Revenue Fund		
Fire Fund	21,787	0
Fiduciary Fund		
Current Tax Collection Fund	0	59
	<u>\$ 21,846</u>	<u>\$ 21,846</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of June 30, 2006, were:

<u>Fund</u>	<u>IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 680	\$ 123,203
Fire Fund	123,203	0
Water and Sewer Operations and Maintenance Fund	0	680
	<u>\$ 123,883</u>	<u>\$ 123,883</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Webber for the year ended June 30, 2006:

	<u>LOANS</u>
Long-Term Debt Payable	
At July 1, 2005	\$ 304,549
New Debt Incurred	0
Payments on Debt	<u>(138,284)</u>
 LONG-TERM DEBT PAYABLE	
AT JUNE 30, 2006	<u>\$ 166,265</u>
 DUE WITHIN ONE YEAR	<u>\$ 24,290</u>

Debt payable at June 30, 2006 is comprised of the following:

General Obligation

Lease-Purchase Agreement - Luverne Pumper Fire Truck

\$251,900 Lease Purchase Agreement for a Luverne Pumper Fire Truck due in annual installments of \$33,020 which includes principal and interest.

\$ 166,265

The annual requirements to amortize debt outstanding as of June 30 2006 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 24,290	\$ 8,729	\$ 33,019
2008	25,566	7,453	33,019
2009	26,908	6,111	33,019
2010	28,321	4,698	33,019
2011	29,807	3,212	33,019
2012	31,373	1,646	33,019
	<u>\$ 166,265</u>	<u>\$ 31,849</u>	<u>\$ 198,114</u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Fund

Fire Fund

Fire Protection	\$ 58,060
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Revenues</u>						
Taxes	\$ 231,000	\$ 231,000	\$ 233,443	\$ 100,000	\$ 100,000	\$ 98,026
Licenses and Permits	1,500	1,500	824	0	0	0
State Grants	84,200	84,200	89,480	0	0	0
Federal Grants	0	0	0	0	0	15,000
Charges for Services	2,500	2,500	900	0	0	0
Interest and Rents	3,100	3,100	1,320	0	0	52
Other Revenue	19,500	19,500	17,065	0	0	633
Total Revenues	<u>\$ 341,800</u>	<u>\$ 341,800</u>	<u>\$ 343,032</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 113,711</u>
<u>Expenditures</u>						
Legislative	\$ 77,850	\$ 77,850	\$ 44,710	\$ 0	\$ 0	\$ 0
General Government	156,050	156,050	127,996	0	0	0
Public Safety	0	0	0	67,338	67,338	58,510
Public Works	64,250	64,250	33,713	0	0	0
Community and Economic Development	30,350	30,350	31,446	0	0	5,345
Recreation and Culture	17,500	17,500	0	0	0	0
Debt Service	0	0	0	52,000	52,000	170,223
Other Functions	25,000	25,000	41,287	0	0	0
Total Expenditures	<u>\$ 371,000</u>	<u>\$ 371,000</u>	<u>\$ 279,152</u>	<u>\$ 119,338</u>	<u>\$ 119,338</u>	<u>\$ 234,078</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,200)</u>	<u>\$ (29,200)</u>	<u>\$ 63,880</u>	<u>\$ (19,338)</u>	<u>\$ (19,338)</u>	<u>\$ (120,367)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 680	\$ 0	\$ 0	\$ 123,203
Transfers Out	0	0	(123,203)	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (122,523)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123,203</u>
Net Change in Fund Balance	<u>\$ (29,200)</u>	<u>\$ (29,200)</u>	<u>\$ (58,643)</u>	<u>\$ (19,338)</u>	<u>\$ (19,338)</u>	<u>\$ 2,836</u>
<u>Fund Balance - Beginning of Year</u>	<u>502,943</u>	<u>502,943</u>	<u>502,943</u>	<u>19,338</u>	<u>19,338</u>	<u>55,224</u>
<u>Fund Balance - End of Year</u>	<u>\$ 473,743</u>	<u>\$ 473,743</u>	<u>\$ 444,300</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,060</u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 448,661
Intergovernmental Receivable	26,632
Due from Other Funds	<u>59</u>
 TOTAL ASSETS	 <u><u>\$ 475,352</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 9,265
Due to Fire Fund	<u>21,787</u>
 Total Liabilities	 \$ 31,052

FUND BALANCE

Unreserved	
Undesignated	<u>444,300</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 475,352</u></u>
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WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 231,000	\$ 231,000	\$ 233,443
Licenses and Permits	1,500	1,500	824
State Grants	84,200	84,200	89,480
Charges for Services	2,500	2,500	900
Interest and Rents	3,100	3,100	1,320
Other Revenues	19,500	19,500	17,065
Total Revenues	341,800	341,800	343,032
<u>EXPENDITURES</u>			
Legislative			
Township Board	77,850	77,850	44,710
General Government			
Supervisor	9,250	9,250	7,900
Election	6,600	6,600	190
Assessor	35,300	35,300	28,818
Clerk	16,050	16,050	16,761
Board of Review	3,300	3,300	2,933
Treasurer	29,400	29,400	18,368
Building and Grounds	35,950	35,950	42,051
Cemetery	20,200	20,200	10,975
Public Works	64,250	64,250	33,713
Community and Economic Development	30,350	30,350	31,446
Recreation and Culture	17,500	17,500	0
Other Functions	25,000	25,000	41,287
Total Expenditures	371,000	371,000	279,152
Excess (Deficiency) of Revenues			
Over Expenditures	(29,200)	(29,200)	63,880

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
Water and Sewer Operating	0	0	680
Fire Fund	0	0	(123,203)
Total Other Financing Sources (Uses)	0	0	(122,523)
Net Change in Fund Balance	(29,200)	(29,200)	(58,643)
<u>FUND BALANCE</u> - Beginning of Year	502,943	502,943	502,943
<u>FUND BALANCE</u> - End of Year	\$ 473,743	\$ 473,743	\$ 444,300

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 36,273
Due From Other Funds	<u>21,787</u>
 TOTAL ASSETS	 <u><u>\$ 58,060</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>58,060</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 58,060</u></u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Taxes	\$ 100,000	\$ 100,000	\$ 98,026
Interest	0	0	52
Other Revenues	0	0	633
Federal Sources			
FEMA Grant	0	0	15,000
Total Revenues	\$ 100,000	\$ 100,000	\$ 113,711
<u>EXPENDITURES</u>			
Public Safety			
Fire Department			
Snow Plowing	\$ 1,000	\$ 1,000	\$ 630
Wages	22,000	22,000	10,687
Payroll Tax	1,500	1,500	818
Postage	38	38	0
Supplies	600	600	3,987
Fuel	5,000	5,000	7,027
Dues	200	200	120
Insurance	1,200	1,200	1,245
Telephone	1,000	1,000	995
Travel	200	200	1,524
Capital Outlay	8,000	8,000	15,240
Utilities	1,300	1,300	2,268
Repairs	13,000	13,000	10,593
Education	2,000	2,000	674
Extinguishing Agents	300	300	0
Miscellaneous	10,000	10,000	2,702
Debt Service			
Principal	52,000	52,000	138,284
Interest	0	0	31,939

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
Payments to Other Governmental Units - Village of Baldwin DDA	0	0	5,345
Total Expenditures	119,338	119,338	234,078
Excess (Deficiency) of Revenues Over Expenditures	(19,338)	(19,338)	(120,367)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out) General Fund	0	0	123,203
Net Change in Fund Balance	(19,338)	(19,338)	2,836
<u>FUND BALANCE</u> - Beginning of Year	19,338	19,338	55,224
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 58,060

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

WATER AND SEWER OPERATIONS AND MAINTENANCE FUND
STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 239,328
Water Savings	20,391
Sewer Savings	10,159
Accounts Receivable	<u>4,382</u>
 Total Current Assets	 <u>\$ 274,260</u>

CAPITAL ASSETS

Water and Sewer System	\$ 2,796,881
Accumulated Depreciation	<u>(297,412)</u>
 Net Capital Assets	 <u>\$ 2,499,469</u>
 TOTAL ASSETS	 <u><u>\$ 2,773,729</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	<u>\$ 3,612</u>
------------------	-----------------

NET ASSETS

Invested in Capital Assets	\$ 2,499,469
Unrestricted	<u>270,648</u>
 Total Net Assets	 <u>\$ 2,770,117</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,773,729</u></u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

WATER AND SEWER OPERATIONS AND MAINTENANCE FUND
SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Charges for Services	\$ 44,184
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OPERATING EXPENSES

Department of Public Works

Water Supply

Fuel	\$ 170
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Contracted Services	66,898
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Testing	1,071
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Telephone	1,569
-----------	-------

Utilities	4,681
-----------	-------

Repairs	13,516
---------	--------

Depreciation Expense	55,938
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Total Operating Expenses	\$ 143,843
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Operating Income (Loss)	\$ (99,659)
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NONOPERATING REVENUES (EXPENSES)

Interest on Investments	\$ 334
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Transfer Out	(680)
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Total Nonoperating Revenues (Expenses)	\$ (346)
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Change in Net Assets	\$ (100,005)
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<u>Net Assets - Beginning of Year</u>	2,870,122
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<u>Net Assets - End of Year</u>	<u>\$ 2,770,117</u>
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WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

WATER AND SEWER OPERATIONS AND MAINTENANCE FUND
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Cash Received from Customers and Other Revenues	\$ 72,381
Cash Payments to Suppliers for Goods and Services	<u>(92,379)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (19,998)</u>
Cash Flows from Capital and Related Financing Activities	
Transfer to General Fund	<u>\$ (680)</u>
Cash Flows from Investing Activities	
Interest Received	<u>\$ 334</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (20,344)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>290,222</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 269,878</u></u>

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

<u>Cash Flows from Operating Activities:</u>	
Operating Income (Loss)	\$ (99,659)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities	
Depreciation	55,938
(Increase) Decrease in Current Assets	
Accounts Receivable	28,197
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>(4,474)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (19,998)</u></u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,953,535	\$ 1,953,476	\$ 59
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 290,724	\$ 290,665	\$ 59
Due to Other Governments	0	1,658,087	1,658,087	0
Due to Individuals and Outside Agencies	0	4,724	4,724	0
Total Liabilities	\$ 0	\$ 1,953,535	\$ 1,953,476	\$ 59

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2005 PROPERTY TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	573,660	
County - State Education Tax		306,269	
Township			
Operating		196,598	
Fire		98,298	
Schools			
Baldwin Community Schools		823,584	
Intermediate Schools			
Mason-Lake Intermediate		<u>183,281</u>	\$ 2,181,690

TAXES COLLECTED

County	\$	501,346	
County - State Education Tax		278,506	
Township			
Operating		170,260	
Fire		85,130	
Schools			
Baldwin Community Schools		725,307	
Intermediate Schools			
Mason-Lake Intermediate		<u>158,724</u>	<u>1,919,273</u>

TAXES RETURNED DELINQUENT

County	\$	72,314	
County - State Education Tax		27,763	
Township			
Operating		26,338	
Fire		13,168	
Schools			
Baldwin Community Schools		98,277	
Intermediate Schools			
Mason-Lake Intermediate		<u>24,557</u>	<u>\$ 262,417</u>

WEBBER TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF 2005 INDUSTRIAL FACILITIES TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	1,658	
County - State Education Tax		855	
Township			
Operating		275	
Fire		137	
Schools			
Baldwin Community Schools		1,361	
Intermediate Schools			
Mason-Lake Intermediate		<u>256</u>	\$ 4,542

TAXES COLLECTED

County	\$	1,658	
County - State Education Tax		855	
Township			
Operating		275	
Fire		137	
Schools			
Baldwin Community Schools		1,361	
Intermediate Schools			
Mason-Lake Intermediate		<u>256</u>	<u>4,542</u>

TAXES RETURNED DELINQUENT

County	\$	0	
County - State Education Tax		0	
Township			
Operating		0	
Fire		0	
Schools			
Baldwin Community Schools		0	
Intermediate Schools			
Mason-Lake Intermediate		<u>0</u>	<u>\$ 0</u>

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
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JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Webber Township
Lake County
Baldwin, Michigan

During the course of our audit of the basic financial statements of Webber Township for the year ended June 30, 2006, we noted the following items:

Budgeting Procedures

The Fire Fund expenditures exceeded budgeted amounts. The Township Board should monitor the budgets and make budget amendments as necessary. In addition, various functions within the General Fund had actual expenditures that exceeded budget amounts.

Property Tax Administration Fee

The Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Payroll

It was noted during the audit that payroll expenses were not spread to the proper accounts. The Township should spread payroll to the appropriate activities during the year.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Webber Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

Cash Not Reconciled

Certain accounts within the Township were not reconciled to the bank and books during the year. The Michigan Department of Treasury Account Procedures Manual requires that this be done on a monthly basis, and that the Clerk and Treasurer reconcile to each other at least monthly.

General Recordkeeping

The Township is taking steps to improve the accounting and recordkeeping procedures of the Township. New software, Peachtree Accounting, has been purchased and consultants have been hired to assist the Township to update its recordkeeping procedures.

Annual Audit

Based on the number of issues that are not being taken care of related to recordkeeping at the Township, the State Department of Treasury may require that the Township be audited annually until these items are taken care of. We also believe that the Township should be audited annually until these items are taken care of.

We would like to thank the board for its confidence in our firm and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Webber Township
Lake County
Baldwin, Michigan

In planning and performing our audit of the financial statements of Webber Township, Lake County, Baldwin, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.